

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: RN 11 23865
POSITION: Oppose unless amended
SPONSOR: BrightSource Energy

BILL NUMBER: AB 982
AUTHOR: N. Skinner

BILL SUMMARY: Land Exchange for Renewable Energy Projects

Existing law grants the State Lands Commission (Commission) administrative control of school lands.

This bill would require the Commission to arrange land exchanges with the federal government to consolidate non-contiguous parcels owned by the state for development of large-scale renewable energy projects. The bill would require the Commission to report to the Legislature by January 1 of each year on the status of the memorandum of agreement and school land consolidation efforts in the desert.

FISCAL SUMMARY

The Commission estimates the cost of this bill would be \$700,000 School Lands Bank Fund (Fund) and six positions to provide support to handle the negotiations of lands and surveys and approve lease applications throughout the permitting and environmental review process. The Fund currently has a balance of approximately \$9 million. Although the Fund has a sufficient balance to address the additional workload over the next several years, this ongoing cost could ultimately oversubscribe the Fund because existing law specifies that any subsequent revenues generated from leasing land for renewable energy projects benefit the State Teachers' Retirement Fund (STRF). Furthermore, additional revenues from land sales that would benefit the Fund are not likely to occur.

The Commission estimates revenues to the STRF as a result of additional renewable energy leases could approach \$10 to \$12 million annually within 5 to 7 years, under the provisions of this bill. Consequently, this bill could result in significant future General Fund cost savings by reducing the amount of General Fund dedicated to the STRF.

The California Energy Commission estimates minor and absorbable costs related to consultation and identification of the best areas suited for renewable energy projects.

COMMENTS

The Department of Finance (Finance) is opposed to the bill unless amended to provide a permanent ongoing funding source to enable the Commission to implement the bill. The bill supports the existing requirement that utilities procure 33 percent of its electricity from renewable resources, and could result in significant General Fund cost savings in future years. However, because subsequent revenues generated from leasing land for renewable energy projects would benefit STRF, the bill does not provide a permanent funding source for the Commission. The attached suggested amendment would authorize a portion of the revenues generated from the renewable energy leases to be used to support the Commission's costs.

(Continued)

Analyst/Principal (0621) M. Almy	Date	Program Budget Manager Karen Finn	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

BILL ANALYSIS Form DF-43 (Rev 03/95 Buff)

N. Skinner

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COMMENTS (continued)

The Commission manages 469,000 acres of school lands held in fee ownership by the state, and the reserved mineral interests on approximately 790,000 acres of school lands where the surface land has been sold. School lands were placed in a statutory trust in 1984, when the Legislature enacted the School Land Bank Act (Act), created the School Land Bank Fund (Fund), and designated the Commission as trustee of the Fund. The Act stipulates that school lands should be managed to develop a permanent and productive resource base and require all transactions, including exchanges, sales, and acquisitions, be implemented for revenue-generating purposes. By law, all net revenues from the sale of school lands are deposited into the State Treasury to the credit of the Fund. All net revenues derived from the use of school lands (rents and royalties) must be deposited into the State Treasury to the credit of the STRF.

Finance understands that there are large sections of the desert that could be optimal for large-scale commercial renewable energy related projects. Renewable energy developers are interested in leasing desert school lands for their projects, but school lands are generally scattered across the California desert in 640-acre sections. However, large-scale commercial renewable energy projects generally require thousands of contiguous acres. Several school land parcels exist that are surrounded by Federal Bureau of Land Management parcels. These parcels could be exchanged to consolidate school land parcels that could be attractive for renewable energy development.

This bill establishes a prescribed framework for moving forward to consolidate all school land parcels in the California desert into contiguous holdings that could benefit renewable energy related projects.

		SO	(Fiscal Impact by Fiscal Year)						
Code/Department	LA	(Dollars in Thousands)							
Agency or Revenue	CO	PROP							Fund
Type	RV	98	FC	2011-2012	FC	2012-2013	FC	2013-2014	Code
3360/Energy Comm	SO	No		-----	No/Minor Fiscal Impact	-----			0465
3560/Lands Comm	SO	No		-----	See Fiscal Analysis	-----			0347
1524/Sch Lnd Roya	RV	No		-----	See Fiscal Analysis	-----			0347
<u>Fund Code</u>	<u>Title</u>								
0347	School Land Bank Fund								
0465	Energy Resources Programs Account								

Suggested Amendments
AB 982 (As amended June 30, 2011)

Public Resources Code 8723

(e) The commission's costs and expenses attributable to the land exchange process may be payable from the fund. ***Notwithstanding Public Resources Code Section 6217.5, a portion of the revenues generated from renewable energy leases pursuant to this Chapter may be transferred to the fund to support the commission's implementation costs.***